Supreme Court, U.S.
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No. _____

In The

# Supreme Court of the United States

TCI CABLEVISION OF CALIFORNIA, INC.,

*Petitioner,*

v.

INTELLECTUAL PROPERTY DEVELOPMENT INC.

AND

COMMUNICATIONS PATENTS LTD.,

*Respondents.*

**On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit**

## PETITION FOR A WRIT OF CERTIORARI

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## QUESTIONS PRESENTED

1. Whether this Court's rule, that an exclusive licensee with fewer than all substantial rights in a patent has no standing to sue for patent infringement without joining the patent holder as a co-plaintiff, is a jurisdictional limitation?

2. Whether a federal district court must dismiss an action where jurisdiction is lacking at the outset, or whether the jurisdictional defect may be cured by the joinder of parties.

3. Whether a plaintiff's issuance of a statement of nonliability to a defendant deprives a district court of Article III jurisdiction over a case.

## RULE 29.6 STATEMENT

The parent corporation of petitioner TCI Cablevision of California, Inc. is TCI West Inc. The parent corporation of TCI West Inc. is TCI Holdings Inc. The parent corporation of TCI Holdings Inc. is AT&T Broadband L.L.C., formerly known as Tele-Communications Inc. The parent corporation of AT&T Broadband L.L.C. is AT&T Corporation.

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner TCI Cablevision of California, Inc. ("TCI-California") respectfully requests that this Court issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

## OPINIONS BELOW

The opinion of the court of appeals (App. 1-30) is reported at 248 F.3d 1333. The orders of the district court (App. 31-35) are not reported.

## JURISDICTION

The judgment of the court of appeals was entered on May 7, 2001. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## CONSTITUTIONAL AND STATUTORY PROVISIONS AND RULE INVOLVED

Article III, Section 2 of the Constitution, provides in relevant part:

> The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States. . . .

35 U.S.C. § 281 provides:

> A patentee shall have remedy by civil action for infringement of his patent.

35 U.S.C. § 100(d) defines "patentee" as follows:

> The word 'patentee' includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.

Rule 41(a)(2) of the Federal Rules of Civil Procedure provides:

> Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and

conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice.

## STATEMENT OF THE CASE

This case presents three important and recurring questions concerning the Article III jurisdiction of federal courts over patent cases, two involving the commencement of a case and one involving its termination. While this Court has addressed the issue of standing in patent cases at least fourteen times,[1] it has not meaningfully addressed the subject since 1926, *see Independent Wireless Telegraph Co. v. Radio Corp. of America*, 269 U.S. 459 (1926), before revision of the patent laws in 1952 and before the merger of law and equity.

The first two issues presented in this case concern the standing of an exclusive licensee of a patent to sue for infringement, and the proper disposition of a case whose sole plaintiff lacks standing. In the decision below, the Federal Circuit categorically declared that an exclusive licensee has Article III standing to maintain a suit in its

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[1] *Independent Wireless Telegraph v. Radio Corp. of America*, 269 U.S. 459 (1926); *Crown Die & Tool v. Nye Tool & Mach. Works*, 261 U.S. 24 (1923); *E.W. Bliss v. United States*, 253 U.S. 187 (1920); *Pope Mfg. Co. v. Gormully & Jeffery Mfg.*, 144 U.S. 248 (1892); *Waterman v. Mackenzie*, 138 U.S. 252 (1891); *Rude v. Westcott*, 130 U.S. 152 (1889); *Birdsell v. Shaliol*, 112 U.S. 485 (1884); *Oliver v. Rumford Chem. Works*, 109 U.S. 75 (1883); *Hayward v. Andrews*, 106 U.S. 672 (1883); *Littlefield v. Perry*, 88 U.S. 205 (1875); *Moore v. Marsh*, 74 U.S. 515 (1869); *Dean v. Mason*, 61 U.S. 198 (1858); *Gayler v. Wilder*, 51 U.S. 477 (1850); *Woodworth v. Wilson*, 45 U.S. 712 (1847).

own name, even if it has fewer than all substantial rights to a patent. App. 26. The court went on to hold that although a patent owner must be joined, that requirement was simply a prudential limitation that could be cured long after the filing of the complaint by joinder of the patent owner. The Federal Circuit's decision squarely conflicts with *Independent Wireless*, in which this Court unequivocally held that an exclusive licensee alone does not have standing and that the presence of the patent owner in the suit is necessary "to give jurisdiction under the patent laws." 269 U.S. at 468. The decision also conflicts with the judgment of the Court in *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), where a plurality of the Court determined that Article III standing defects could not be corrected, and must result in dismissal. *Id.* at 569 n.4. The decision is also illogical as prudential limitations on standing cut back on standing where Article III standing is otherwise present; they do not magically create standing where it did not otherwise exist.

The time is ripe for the Court to intervene to correct the Federal Circuit's departures from precedent. Standing in patent cases is an issue of importance to the bar and is the subject of frequent litigation in the Federal Circuit, with eight opinions (six precedential) on the issue in the last eighteen months. The proper understanding of Article III standing is also of critical importance to the business world, because parties routinely structure licensing arrangements in light of prevailing standing law to ensure that licensees have the desired litigation authority. Licenses currently are being negotiated under the Federal Circuit's flawed standard. Prompt intervention is warranted; further delays will only increase the magnitude of the disruption when proper standing rules are restored to the patent field. While the Federal Circuit's exclusive jurisdiction over patent cases prevents a true circuit split from occurring on the first issue, its departure from this Court's prior decisions takes on added importance as it becomes law throughout the country.

One reason that litigation over standing has increased is that patent owners are increasingly attempting to structure exclusive licensing relationships to maintain control over a third party designated to enforce their patent rights, while shielding themselves from counterclaims and discovery. Patent owners desire virtually risk free litigation. This case illustrates the trend. Respondents explained in their appellate brief that their license agreement was "intended to protect CPL [the patent owner] from becoming embroiled in expensive lawsuits" and that the license evidenced "CPL's intent to distance itself from IPD's [the exclusive licensee] litigation over the patents." The Federal Circuit's decision in this case promotes gamesmanship by encouraging parties to draft their license agreements in a way that makes it unclear whether all substantial rights have been transferred. The patent owner can retain the control it desires and the exclusive licensee can file suit knowing that the defendant must engage in a costly battle to force the patent owner to be joined as a party. If that happens, then gamesmanship is rewarded as the patent owner has gained the potential of insulation from litigation at little or no cost to the exclusive licensee.

If the Federal Circuit had followed the proper standard, consequences other than the mere refiling of a case would follow. First, a patent owner and exclusive licensee would be much less likely to engage in gamesmanship. If the exclusive licensee successfully convinced a district judge to let it have standing to sue alone and that decision was reversed on appeal after a judgement in its favor, the plaintiff would suffer the costs of pointless litigation and have to begin the suit again. Second, the patent laws provide a six year damages window and refiling of a case moves that window forward, which may eliminate substantial damages (as it would in this case). 35 U.S.C. § 286. Third, patent litigation often involves affirmative actions and declaratory judgment claims in separate jurisdictions and dismissal may affect which case is first filed. The Federal Circuit's decision sweeps

away all of these disincentives to engage in gamesmanship and thereby encourages it.

The third issue presented in this case involves plaintiffs' use of statements of nonliability to terminate lawsuits selectively for the purpose of forum shopping and manipulation of the litigation process. To avoid litigating petitioner's counterclaims that the patent underlying the infringement suit was invalid and unenforceable, respondents in this case delivered a statement of nonliability to petitioner. Although recognizing that the statement of nonliability "fail[ed] to address fully all avenues of potential infringement liability" (App. 10), the Federal Circuit nonetheless held that the infringement lawsuit and counterclaims were properly dismissed because the statement had eliminated the case or controversy thereby depriving the district court of Article III jurisdiction. *Id.* That holding sharply conflicts with decisions of other federal courts of appeals and creates significant opportunities for abusive manipulation by litigants.

By holding that a statement of nonliability eliminates the case or controversy between parties, the Federal Circuit has created an end-run around the protections given to defendants under Rule 41(a)(2) of the Federal Rules of Civil Procedure, eliminating a district court's ability to preserve counterclaims asserting patent invalidity or seeking fee awards for inequitable conduct in patent procurement. Plaintiffs who fear a fee award or a declaration of patent invalidity can exploit the Federal Circuit's sweeping decision to unilaterally terminate an action at any time before judgment and thereby avoid undesirable outcomes. This is an issue of growing importance to the patent bar, because in the wake of the decision below and the Federal Circuit's earlier decision in *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1057 (Fed. Cir. 1995), patent holders and licensees are increasingly using statements of nonliability to terminate unfavorable litigation. This Court should not abide a rule so conducive to abusive litigation practices, and which eviscerates basic procedural protections for defendants provided by the

Federal Rules of Civil Procedure. Further review is warranted.

### A. Factual Background

In 1979, United States Patent 4,135,202 (the " '202 Patent") was issued to Respondent Communications Patents Ltd. ("CPL"), a United Kingdom company now in liquidation, as the assignee of the entire interest of the inventor. App. 2. The '202 Patent relates to wired broadcasting systems and is alleged to describe cable television systems owned and/or operated by petitioner TCI-California. On June 30, 1993, CPL, acting through its Liquidator, granted Respondent Intellectual Property Development, Inc. ("IPD") "an exclusive license, to make, use, and sell the inventions, the right to grant sublicenses, the right to collect monies, damages and/or royalties for past infringement and the right to bring legal action to collect the same" under several patents, including the '202 patent (the "License"). App. 3.

The rights IPD received under the License were carefully circumscribed – not all rights granted to IPD were "exclusively" granted. The License strictly limits IPD's critical right to bring suit. Where CPL is a "necessary party" to an action, IPD may not file a lawsuit without written consent from CPL, and CPL may revoke that consent at any time. App. 3. Even when CPL is not a necessary party to a suit, IPD must notify CPL in writing before bringing a lawsuit, must keep CPL fully informed, and must consult with CPL regarding the handling of the litigation. *Id.* IPD may not agree to any settlement without written consent of CPL. *Id.* CPL also reserved significant additional rights under the License. For example, although CPL can freely assign its own rights at any time without IPD's consent, IPD is prohibited from assigning its own rights under the License. App. 4. Finally, even the rights that CPL granted to IPD, i.e., to make, use, and sell products covered by the '202 patent, are subject to the rights of at least one prior non-exclusive license.

### B. Proceedings Before The District Court

In 1994, IPD sued petitioner TCI-California's parent company Tele-Communications Inc. ("TCI") and UA-Columbia Cablevision of Westchester, Inc. in the United States District Court for the Southern District of New York for infringement of the '202 Patent (the "New York Action"). In 1999, IPD filed twelve additional infringement cases against affiliates and subsidiaries of TCI. One of the twelve was this case – on March 19, 1999, IPD sued TCI's subsidiary, petitioner TCI-California, for infringement in the United States District Court for the Central District of California (the "California Action") without joining the patent owner, CPL. TCI-California counterclaimed for a declaratory judgment of patent invalidity, noninfringement, and unenforceability. App. 4-5.

TCI-California moved to dismiss the California Action on April 19, 1999 because IPD lacked standing to bring the suit in its own capacity. In an order dated May 26, 1999, the district court granted TCI-California's motion to dismiss, but stayed the dismissal to allow IPD to add CPL as a plaintiff. App. 5. Pursuant to an amended complaint filed on June 19, 1999, CPL joined the action as a party plaintiff. *Id.*

On August 17, 1999, the New York Action, the California Action, and the eleven other cases involving the '202 Patent filed during 1999 against TCI-related entities were consolidated for pretrial proceedings in the United States District Court for the Central District of California as In Re Intellectual Property Development, Inc. Patent Litigation, MDL No. 1286, by order of the Multi-District Litigation Panel.

On December 27, 1999, less than six months after CPL joined this case as a plaintiff, IPD and CPL moved to dismiss the California Action with prejudice and to dismiss TCI-California's declaratory judgment counterclaims for lack of subject matter jurisdiction. The Federal Rules of Civil Procedure prohibit the voluntary dismissal

of an action over a defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Fed. R. Civ. P. 41(a)(2). In an attempt to defeat TCI-California's pending counterclaims regarding the validity and unenforceability of the '202 Patent, IPD and CPL issued what they termed a "Statement of Nonliability" (the "Statement") that stated that TCI-California was not liable for infringement. That Statement did not, however, resolve all of the issues in the California Action because it conceded nonliability for TCI-California only, rather than for all of the allegedly-infringing activity related to TCI-California's operation of cable television systems. For example, the Statement arguably does not address the liability of cable television operating systems owned or operated by TCI-California, or for all entities who arguably share responsibility for the same allegedly infringing activities. Counsel for IPD and CPL contended that the Statement "is only for the party in the [California] case" and did not include all corporate parents of TCI-California. On January 27, 2000, the district court granted IPD's motion, dismissing IPD's and CPL's claims with prejudice, and also dismissing TCI-California's counterclaims without prejudice. App. 7.

### C. The Federal Circuit's Affirmance

The Federal Circuit affirmed. The panel concluded that IPD had Article III standing to bring an infringement claim against TCI-California in its own name because it had alleged infringement of its exclusive license right. App. 22-29. However, the panel agreed with the district court that CPL's license to IPD had transferred fewer than all substantial rights in the patent (*id.* at 19-22), and accordingly held that IPD could not as a *prudential* matter sue in its own name. *Id.* at 28-29. Because the standing restriction was merely prudential and not jurisdictional, the panel held that IPD could remedy the defect at any time after filing the lawsuit by joining the patent owner. *Id.* at 29.

The Federal Circuit also concluded that IPD's and CPL's statement of nonliability "divested the district court of Article III jurisdiction" over both IPD's and CPL's infringement claims and TCI-California's counterclaims. App. 13-15. The court agreed that the Statement "fail[ed] to address fully all avenues of potential infringement liability" (App. 10), in part because TCI-California remained potentially liable for indemnifying others, including potential buyers of its cable systems and its cable subscribers. Nevertheless, relying on *Super Sack*, 57 F.3d at 1057, the court held that the statement of nonliability would estop IPD and CPL from asserting infringement claims against TCI-California. It thus had no "reasonable apprehension" of facing an infringement suit from IPD or CPL (*id.* at 13), and in the absence of such a threat, the remaining potential liability was insufficient to sustain a present case or controversy. *Id.* at 13-14.

## REASONS FOR GRANTING THE PETITION

### I. Standing In Patent Cases Is An Important, Frequently Recurring Issue

This case raises vitally important issues of federal law. The standing of exclusive licensees of a patent to sue in their own names has great practical and doctrinal significance. In recent years, exclusive licensing arrangements have spawned a wave of litigation over the standing of licensees to sue for patent infringement.[2] In the last

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[2] *See Durel v. Osram Sylvania*, Nos. 00-1261 and 00-1391, 2001 U.S. App. LEXIS 14275 (Fed. Cir. June 27, 2001); *Unique Coupons v. Northfield*, Nos. 00-1300, 00-1314, 00-1315, 2001 U.S. App. LEXIS 12839 (Fed. Cir. June 13, 2001) (unpublished disposition); *Intellectual Prop. Dev. v. TCI Cablevision of Cal.*, 248 F.3d 1333 (Fed. Cir. 2001); *Mentor H/S v. Medical Device Alliance*, 240 F.3d 1016 (Fed. Cir. 2001); *Prima Tek II v. A-Roo*, 222 F.3d 1372 (Fed. Cir. 2000); *Ajinomoto v. Archer-Daniels-Midland*, 228 F.3d

18 months alone, the Federal Circuit has issued at least eight opinions on standing in patent cases. *See supra* note

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1338 (Fed. Cir. 2000); *Viam Mfg. v. Iowa Export-Import Trading*, Nos. 99-1280, 00-1038, 2000 U.S. App. LEXIS 22443 (Fed. Cir. Aug. 31, 2000) (unpublished disposition); *Speedplay v. Bebop*, 211 F.3d 1245 (Fed. Cir. 2000); *Textile Prods. v. Mead*, 134 F.3d 1481 (Fed. Cir. 1998); *Enzo APA & Son v. Geapag A.G.*, 134 F.3d 1090 (Fed. Cir. 1998); *McNeilab v. Scandipharm*, No. 94-1508, 1996 U.S. App. LEXIS 19073 (Fed. Cir., July 31, 1996) (unpublished disposition); *Schneider (Eur.) AG v. SciMed Life Sys.*, Nos. 94-1317, 94-1410, 94-1456, 1995 U.S. App. LEXIS 9754 (Fed. Cir., April 26, 1995) (unpublished disposition); *Ortho Pharm. v. Genetics Inst.*, 52 F.3d 1026 (Fed. Cir. 1995); *Abbott Laboratories v. Diamedix*, 47 F.3d 1128 (Fed. Cir. 1995); *Quiedan v. Central Valley Builder's Supply*, No. 94-1098, 1994 U.S. App. LEXIS 19682 (Fed. Cir., July 28, 1994) (unpublished disposition); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 994 F.2d 870 (Fed. Cir. 1991); *Weinar v. Rollform*, 744 F.2d 797 (Fed. Cir. 1984); *Dendema Ab v. Denbur*, No. 00 C 4438, 2001 U.S. Dist. LEXIS 6597 (N.D. Ill. May 21, 2001); *Monsanto v. Sa*, No. 00-1013-SLR, 2001 U.S. Dist. LEXIS 8891 (D. Del. May 16, 2001); *Cardiac Pacemakers v. St. Jude Med.*, No. IP 96-1718-C H/G, 2001 U.S. Dist. LEXIS 5032 (S.D. Ind. Mar. 12, 2001); *Duratherm v. Onsite Technology ~~LLC~~*, No. ~~H~~-00-2727, 2001 U.S. Dist. LEXIS 8978 (S.D. Tex. Jan. 30, 2001); *Hsin Ten Enterprise USA v. Clark Enterprises*, 138 F. Supp.2d 449 (S.D.N.Y. 2000); *Hill Phoenix v. Systematic Refrigeration*, 117 F. Supp.2d 508 (E.D. Va. 2000); *Alcatel USA v. Orckit Communications*, No. C 99-4468 SI, 2000 U.S. Dist. LEXIS 6123 (N.D. Cal., Apr. 18, 2000); *Moore U.S.A. v. Standard Register*, 60 F. Supp.2d 104 (W.D.N.Y. 1999); *Adams v. Westminster Int'l Co.*, No. 98 Civ. 2489 (HB), 1999 U.S. Dist. LEXIS 12153 (S.D.N.Y. Aug. 9, 1999); *Cooper v. Prime Image*, No. 97-21050 SW, 1999 U.S. Dist. LEXIS 14898 (N.D. Cal. May 14, 1999); *James v. Victor Co.*, No. AW-98-862, 48 U.S.P.Q.2d 1789 (D. Md. 1998); *Intermedics v. Cardiac Pacemakers*, No. 4-95-716 (JRT/RLE), 1998 U.S. Dist. LEXIS 23181 (D. Minn. Feb. 17, 1998); *Howes v. Zircon*, 992 F. Supp. 957 (N.D. Ill. 1998); *Schering v. Biogen*, 969 F. Supp. 258 (D. Del. 1997); *Arcade v. Minnesota Mining and Mfg.*, 43 U.S.P.Q.2d 1511 (E.D. Tenn. 1997); *Allergan Sales v. Pharmacia & Upjohn*, No. CV 96-1430 H (JFS), 1996 U.S. Dist. LEXIS 21051

2. The importance of standing issues transcends litigation, because parties structure exclusive licensing relationships in light of current law to effectuate their wishes about whether the licensee will be able to bring suit alone. Patent owners are increasingly attempting to structure exclusive licensing relationships to prevent effective challenges to their patent rights by maintaining control over a third party designated to enforce their patent rights, while shielding themselves from counterclaims and discovery.

The Court's 70-year absence from this field of law and resulting widespread uncertainty about the standing of patent licensees has hampered efforts to create predictable licensing arrangements in this economically vital field. Academic commentators have noted that standing rules are "arbitrary and formalistic" ones which "Congress and the courts could improve upon." Roger D. Blair

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(S.D. Cal. Oct. 22, 1996); *Penril Datacomm Networks v. Rockell Int'l*, 934 F. Supp. 708 (D. Md. 1996); *Advanced Cardiovascular Systems v. SciMed Life Systems*, 40 U.S.P.Q.2d 1286 (N.D. Cal. 1996); *Le-Jo Enterprises v. Lincoln Food Service Products*, No. 94-CV-7391, 1996 U.S. Dist. LEXIS 3753 (E.D. Pa. Mar. 21, 1996); *Procter & Gamble v. Paragon Trade Brands*, 917 F. Supp. 305 (D. Del. 1995); *PCI Parfums Et Cosmetiques v. Perfumania*, 35 U.S.P.Q.2d 1159 (S.D.N.Y. 1995); *McNeilab v. Scandipharm*, 862 F. Supp. 1351 (E.D. Pa. 1994); *Radionics v. Elekta Instrument AB*, 33 U.S.P.Q.2d 1110 (D. Mass. 1994); *Alcoa v. Norton*, 27 U.S.P.Q.2d 1317 (W.D. Pa. 1993); *Schneider (Europe) AG v. SciMed Life Sys.*, No. 3-91 CIV 241, 1993 U.S. Dist. LEXIS 19655 (D. Minn. May 14, 1993); *Ciba-Geigy v. Alza*, No. 91-5286, 1993 U.S. Dist. LEXIS 3971 (D.N.J. Mar. 25, 1993) (unpublished disposition); *Pfizer v. Elan Pharm. Research*, 812 F. Supp. 1352 (D. Del. 1993); *Amgen v. Chgai Pharmaceutical*, 808 F. Supp. 894 (D. Mass. 1992); *Raber v. Pittway*, 23 U.S.P.Q.2d 1313 (N.D. Cal. 1992); *Refac Int'l v. Mastercard Int'l*, 758 F. Supp. 152 (S.D.N.Y. 1991); *Refac Int'l v. Visa USA*, 16 U.S.P.Q.2d 2024 (N.D. Cal. 1990); *Calgon Corp. v. Nalco Chem.*, 726 F. Supp. 983 (D. Del. 1989); *Erbamont v. Cetus*, 720 F. Supp. 387 (D. Del. 1989).

and Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 Tul. L. Rev. 1323, 1329 (2000).

Equally significant is the related issue of whether patent plaintiffs may unilaterally dispose of a case after counterclaims have been filed merely by tendering a statement of nonliability. This issue is one of increasing importance. In the wake of the Federal Circuit's 1995 *Super Sack* decision that the court relied on below, licensees and patent holders are increasingly using statements of nonliability to insulate patents from effective challenge by unilaterally terminating cases when colorable claims of invalidity or unenforceability have been made. In this way, license holders have tried to "game" the system – as IPD has done here – by pursuing claims through several parallel actions and selectively terminating those that are not to their liking. If left uncorrected, manipulative litigation will be the legacy of the Federal Circuit's decision.

This case provides the Court with an opportunity to restore clarity to a field of law that is of ever-growing economic importance. The conflict between this case and the Court's precedent, and the improper incentives that the decision below creates, make review by this Court not only appropriate but essential.

## II. The Federal Circuit's Erroneous Decision, That An Exclusive Licensee With Fewer Than All Substantial Rights In A Patent Has Article III Standing To Sue For Infringement In Its Own Name, Sharply Conflicts With This Court's Precedent And Other Decisions Of The Federal Circuit.

The present case marked the first time that the Federal Circuit faced the issue of whether this Court's decision in *Independent Wireless Telegraph v. Radio Corp. of America*, 269 U.S. 459 (1926), required dismissal for lack of Article III jurisdiction of an infringement action filed by an exclusive licensee *without* all substantial rights in the

patent. Although the results and dictum in prior Federal Circuit cases were inconsistent with *Independent Wireless*, the issue had never been squarely presented. The Federal Circuit's conclusion, that an exclusive licensee who receives less than all substantial rights to a patent (and, therefore, is not a "patentee" within the meaning of the patent statutes) has standing to sue and suffers a legally cognizable injury in fact, conflicts with this Court's decision in *Independent Wireless*. It is also inconsistent with *Warth v. Seldin*, 422 U.S. 490 (1975). Together, those cases establish that the absence of a "patentee" upon filing of a patent infringement suit creates an Article III jurisdictional defect, mandating dismissal of the suit. By ruling to the contrary, the Federal Circuit has sanctioned the very "short cut" that this Court rejected in *Independent Wireless*. 269 U.S. at 466-67.

A federal court's power to adjudicate a matter is predicated on the existence of both (a) a federal question (or diversity of the parties) and (b) an actual "case" or "controversy." The requirement that a party have standing is grounded in the "case" or "controversy" requirement of Article III of the Constitution. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). Article III standing to maintain a suit must exist at every stage of the case, including the time that a case is filed. *See e.g., United States Parole Commn. v. Geraghty*, 445 U.S. 388, 397 (1980).

Three elements must be present for Article III standing to exist. First, the plaintiff must have suffered an injury in fact – an invasion of a *legally protected* interest that is concrete and particularized. Second, there must be a causal connection between the injury and the defendant's conduct. Third, it must be likely that the injury will be redressed by a favorable decision. *Lujan*, 504 U.S. at 560-61. The plaintiff bears the burden of establishing all three elements. *Id.* These requirements are derived from Article III of the Constitution and cannot be overridden by statute. Erwin Chemerinsky, *Federal Jurisdiction* 51 (1989).

### A. The Injury In Fact Caused By Patent Infringement Exists Solely By Virtue Of The Patent Statutes And Only A Patentee Suffers Such Injury

"The . . . injury required by Art. III may exist solely by virtue of 'statutes creating legal rights, the invasion of which creates standing. . . . ' " *Warth v. Seldin*, 422 U.S. 490, 500 (1975). Where Congress has so created a legal right by statute, the focus of the standing inquiry is whether the statutory provision on which the claim rests grants persons in the plaintiff's position a right to judicial relief. *Id.* If it does not, then no standing exists under Article III and a court lacks jurisdiction to consider the matter. *Id.* at 518. Courts may not expand the class of parties with standing to pursue specific causes of action provided for by Congress, lest they usurp the legislative authority vested exclusively in that branch. *See Enzo APA & Son v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998). The Federal Circuit has done precisely that here – it has recognized constitutional standing on the part of an exclusive licensee who has no cognizable injury under the patent laws.

As this Court has stated, "[p]atent property is the creature of statute law. . . . " *Crown Die & Tool v. Nye Tool & Machine Works*, 261 U.S. 24, 40 (1922). Because patent infringement is an "injury" created exclusively by statute, the statute provides the only source of "injury" required by Article III. *See Warth*, 422 U.S. at 500. As this Court explained, because the patent monopoly

> did not exist at common law . . . , the rights . . . which may be exercised under it cannot be regulated by the rules of the common law. It is created by the act of Congress; and *no rights can be acquired in it unless authorized by statute*, and in the manner the statute prescribes.

*Crown Die & Tool*, 261 U.S. at 40 (quoting *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1850)) (emphasis added).

The patent statute narrowly defines the class of persons that may seek judicial relief. It states that *only* a patentee "shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281. The statute defines "patentee" to include "not only the patentee to whom the patent was issued but also the successors in title to the patent." 35 U.S.C. § 100(d). No "case" or "controversy" exists between an accused infringer and a plaintiff that is not a "patentee." *Crown Die & Tool*, 261 U.S. at 40. Both the district court and the Federal Circuit correctly concluded that respondent IPD, as an exclusive licensee having fewer than all substantial rights in the patent, is *not* a patentee. *See* App. 19-22; *Abbott Laboratories v. Diamedix*, 47 F.3d 1128, 1132-33 (Fed. Cir. 1995) (must transfer all substantial rights for exclusive license to be tantamount to assignment); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 874-76 (Fed. Cir. 1991) (same). Because IPD is not a patentee, it lacked standing to raise the only claim it asserted in its complaint, patent infringement.

### B. The Federal Circuit's Decision Sharply Conflicts With Decisions Of This Court

The Federal Circuit's extension of standing to sue for infringement to licensees with fewer than all substantial rights in a patent constitutes a marked departure from an unbroken line of Court precedent on this subject. Recognizing that the patent laws historically have provided a cause of action only to patentees and their assignees, this Court has repeatedly and unequivocally held that licensees – including *exclusive* licensees – lack standing to sue in their own name to enforce a patent. *See generally* Roger D. Blair and Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 Tul. L. Rev. 1323, 1337-38 (2000) (discussing early 19th-Century precedent). This Court time and again has indicated that licensees must enforce their rights through suit by the patent holder or by joining the patent holder at the outset

of the suit. *E.g. Independent Wireless Telegraph v. Radio Corp. of America*, 269 U.S. 459, 469 (1926); *Birdsell v. Shaliol*, 112 U.S. 485, 486 (1884).[3]

The landmark case of *Waterman v. Mackenzie*, 138 U.S. 252 (1891), exhaustively discussed the standing of patentees and licensees to sue for infringement. The Court plainly held that holders of fewer than all substantial rights in a patent lacked standing to sue in their own name (except in the extraordinary case when the patent holder was itself the infringer). The Court explained:

> Any assignment or transfer, short of [all substantial rights], is a mere license, giving the licensee no title in the patent, *and no right to sue at law in his own name for an infringement*. . . . In equity, as at law, when the transfer amounts to a license only, the title remains in the owner of the patent, and suit must be brought in his name, and *never in the name of the licensee alone* unless that is necessary to prevent an absolute failure of justice, as where the patentee is the infringer, and cannot sue himself.

*Id.* at 255 (emphasis added); *id.* at 257 (exclusive license "did not give the licensee the right to sue alone, at law or in equity, for an infringement of the patent"). The *Waterman* decision was merely a restatement of well-settled law. *See, e.g., Littlefield v. Perry*, 88 U.S. (21 Wall.) 205, 223 (1875) ("A mere licensee cannot sue strangers who infringe"); *Wilson v. Chickering*, 14 F. 917 (C.C. D. Mass. 1883) (exclusive license holder "cannot maintain an action at law, nor can he, generally speaking, sue in equity, without joining the patentee").

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[3] *See also* Donald F. Parsons, Jr. and John D. Pirnot, *The Intersection of Patent Law and Bankruptcy: What Every Practitioner Should Know*, Del. Lawyer, Winter 2000, at 30, 31 ("Typically, one of a patentee's affirmative duties under a license agreement is the obligation to enforce the patent against infringers.").

The Court's most recent treatment of the standing of exclusive licensees to sue for patent infringement came in *Independent Wireless*. There, an exclusive licensee involuntarily joined a patent holder outside the personal jurisdiction of the court at the outset of the case so that it would have standing to sue. The Court ultimately held that, as a matter of equity, a patent holder who sells an exclusive license is under an implied "obligation . . . to allow the use of his name and title to protect all lawful exclusive licensees and sublicensees against infringers." 269 U.S. at 473. Thus a patent owner in effect gives a power of attorney to an exclusive licensee to sue in the patent owner's name.

In so holding, the Court plainly indicated that such a mechanism was necessary because an exclusive licensee could not bring suit in its own name. The Court explicitly rejected the suggestion that an "exclusive licensee whose contract rights are being trespassed upon by the infringer, should be able without the presence of the owner of the patent to obtain an injunction and damages directly against the infringer." *Id.* at 466. The Court explained that such a direct suit would be beyond the Article III jurisdiction of the courts:

> We recognize that there is a tendency in courts of equity to enjoin the violation of contract rights which are invaded by strangers in a direct action by the party injured, instead of compelling a roundabout resort to a remedy through the covenant, express or implied, of the other contracting party. But such a short cut, however desirable, is not possible in a case like this. A suit without the owner of the patent as a plaintiff, if maintainable, would not be a suit under . . . the patent laws, but only an action in equity, based on the contract rights of the licensee under the license and a stranger's violation of them. *There would be no jurisdiction in the courts of the United States to entertain it.* . . .

*Id.* at 466-67 (emphasis added).[4] Thus, as the author of a leading patent treatise has explained, without the participation of the patent owner, "the suit might be considered as one of interference with contract rather than one arising under the patent laws." 8 Donald S. Chisum, *Chisum on Patents*, § 21.03[1] [n], p. 21-259 (1993).

The Federal Circuit wrongly interpreted *Independent Wireless* to suggest that an exclusive licensee suffers an Article III injury when a stranger infringes the patent. The court relied on a passage in which the Court stated that a patent owner that grants " 'the exclusive right to make, use, or vend [a patented invention] . . . must allow the use of his name as plaintiff in any action brought by the licensee . . . *to obtain damages for the injury to his exclusive right.*' " App. 25 (quoting *Independent Wireless*, 269 U.S. at 469) (emphasis in opinion below). The court's reliance on that passage was misplaced. The quoted passage addressed only the patent holder's implied *contractual* obligations to the licensee to permit "the enjoyment by the licensee of the monopoly which by personal contract the licensor has given." 269 U.S. at 469. The traditional means by which exclusive licensees enforced their rights was through an "express covenant[ ] by the patent

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[4] *Waterman* and *Independent Wireless* both were decided under the 1875 patent statutes, which are closely analogous to current patent law. Revised Statutes Sections 4919 and 4921 described the parties that could sue at law and at equity, respectively. Section 4919 required that the action on the case be brought "in the name of the party interested, either as patentee, assignee, or grantee." Rev. Stat. § 4919. (A "grantee" was a party that had received exclusive patent rights in a particular geographic area.) Section 4921, in turn, limited the equitable power of the federal courts "to prevent the violation of any right secured by patent." Rev. Stat. § 4921. If anything, today's patent statute grants the right of civil action to a smaller group, only "patentees" (35 U.S.C. § 281), a group including "the patentee to whom the patent was issued [and] also the successors in title to the patentee." 35 U.S.C. § 100(d).

owner and licensor to sue infringers, that expressly cast upon the [patent owner] the affirmative duty of initiating and bearing the expense of the litigation." 269 U.S. at 469. The Court merely indicated that, in the absence of "such express covenants," equity implied a power of attorney for the exclusive licensee to sue in the name of the patent owner. *Id.* The "injury to [the licensee's] exclusive right" to which the Court referred was injury to a *contract* right of exclusivity granted by the patent owner, *not* a right arising under the patent laws. Whether IPD could have brought some type of contract action is irrelevant, as is the issue (unaddressed below) of whether that injury has a causal connection to TCI-California as would be required under Article III. Whatever the injury, if any, suffered by IPD, the injury is not a "legally protected interest" under the patent laws. *See Lujan*, 504 U.S. at 560 (injury must be to a legally protected interest). IPD's interest is only protected by contract and no contract-related claim was pled in this case.

Equally wrong is the Federal Circuit's conclusion that the *Independent Wireless* standing requirement "is prudential rather than constitutional." App. 27. Prudential limitations on standing, as the Federal Circuit noted, are "judicially self-imposed limits . . . on the exercise of jurisdiction." App. 27-28.[5] The *Independent Wireless* Court was quite explicit that "[t]he presence of the owner of the

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[5] Prudential limitations are based upon principles of sound judicial administration and may be overridden by statute. Erwin Chemerinsky, *Federal Jurisdiction* 52 (1989). An example of a prudential limitation is the doctrine of third party standing – i.e. that even where a plaintiff has met the constitutional requirements for standing, he may not rest his claim to relief on the legal rights or interests of third parties. *Id.* at 72; App. 28 n.13. In the administrative law context, standing will sometimes be denied because the plaintiff is not within the "zone of interests" of the rule in question. *Conte Bros. Automotive v. Quaker State-Slick 50*, 165 F.3d 221, 226 (3rd Cir. 1998); App. 28 n.13.

patent as a party is indispensable . . . *to give jurisdiction under the patent laws. . . .* " *Independent Wireless*, 269 U.S. at 468. *Accord* Lawrence M. Sung, *Echoes of Scientific Truth in the Halls of Justice*, 48 Am. U. L. Rev 1233, 1318 (1999) (explaining that under patent statute, "[a] licensee is not entitled to bring suit in its own name as a patentee, unless the licensee holds 'all substantial rights' under the patent, which effectively renders it an 'assignee,' and thus, a patentee").

The Federal Circuit's decision turns standing doctrine on its head. Prudential limitations on standing cut back on standing where Article III standing is otherwise present; they do not magically create Article III standing where it did not otherwise exist. The Federal Circuit cannot "obtain" jurisdiction in patent case through the prudential "limitations" on standing doctrine.

This Court's opinion in *Crown Die & Tool* gives further proof that this standing limitation is not based upon prudential concerns. Extensively quoting a leading treatise of the time, the Court explained that these limitations on standing arose from the patent statutes themselves.

> With a single exception the plaintiff in an action at law must be the person or persons in whom the legal title to the patent resided at the time of the infringement. An infringement is an invasion of the monopoly created by the patent, and the law which defines and authorizes this monopoly confers only upon its legal owners the right to institute proceedings for its violation. These owners are the patentee, his assignee, his grantee, or his personal representatives; and none but these are able to maintain an action for infringement in a court of law.

261 U.S. at 40 (quoting 3 *Robinson on Patents* § 937).

The Federal Circuit itself has released several decisions that conflict with the decision below. Intracircuit conflicts ordinarily do not support a grant of certiorari, *see Wisniewski v. United States*, 353 U.S. 901, 902 (1957)

(per curiam), but in light of the Federal Circuit's exclusive jurisdiction, intracircuit conflict provides an appropriate benchmark for disorder in the law requiring resolution by this Court. *Cf.* Helen W. Nies, *Dissents at the Federal Circuit and Supreme Court Review*, 45 Am. U. L. Rev. 1519 (1996) (Federal Circuit judge arguing that dissents are equivalent to intercircuit conflict for cases within that court's exclusive jurisdiction).

In *Textile Productions, Inc. v. Mead Corp.*, 134 F.3d 1481 (Fed. Cir. 1998), the Federal Circuit restated the familiar *Waterman* rule that "an exclusive licensee that does not have all substantial rights has standing to sue third parties only as a co-plaintiff with the patentee." *Id.* at 1484. The court clearly rested its conclusion on an analysis of the statute, rather than prudential concerns: the analysis turned on the fact that, under Section 100(d), an exclusive "licensee [that] holds 'all substantial rights' under the patent" is "in effect an 'assignee' and therefore a patentee" *for purposes of Section 281.* If there were any doubt that the court viewed this as a jurisdictional matter rather than a prudential one, it was put to rest by the court's suggested remedy: The court wrote that the fact that the plaintiff was "an exclusive licensee . . . seek[ing] to bring an infringement action in its own name" "[n]ormally, . . . alone would be sufficient grounds to dismiss [its] infringement claim" unless the patent owner itself was the infringer. *Id.* at 1484.

Similarly, in *Arachnid v. Merit Industries*, 939 F.2d 1574 (Fed. Cir. 1991), the Federal Circuit emphasized that, because "[a] patent is a creature of statute," the statute defined the scope of the available remedies and the proper suitors (*id.* at 1578), and the statute limited actions to persons with *"legal title* to the patent." *Id.* at 1579 (emphasis in original). The court emphasized that standing was a *statutory* matter, noting that "in order to exercise that right [to exclude others from the patent monopoly,], a plaintiff must necessarily have *standing as comprehended by the patent statute."* *Id.* at 1579 (emphasis added).

In light of the Federal Circuit's striking departure from this Court's unbroken line of precedent, and the inconsistency in the Federal Circuit's own cases, the time has come for this Court to revisit the issue of standing in patent cases.

## III. The Federal Circuit's Mistaken Conclusion That A Licensee Can Cure Standing Defects By Joining The Patent Holder Conflicts With This Court's Standing Precedents And Decisions Of Other Federal Courts

The Federal Circuit concluded that dismissal was not necessary and that IPD could remedy its standing deficiency by joining patent holder CPL after commencement of the suit. App. 30. That conclusion was explicitly premised on the assumption that the *Independent Wireless* standing rules were merely prudential and did not stem from Article III. *Id.* Because that premise is mistaken, so is the conclusion. The subsequent joinder of a party is insufficient to cure standing defects, and accordingly dismissal is required.

"[J]urisdiction is to be assessed under the facts existing when the complaint is filed." *Lujan v. Defenders of Wildlife*, 504 U.S. at 570 n.4 (plurality opinion); *Cf. Asarco v. Kadish*, 490 U.S. 605, 616-17 (1989) (if federal standing rules applied, suit would have been dismissed at outset); *United States Parole Commn. v. Geraghty*, 445 U.S. at 397 (standing must be present at outset of litigation and must continue thereafter); *Roe v. Wade*, 410 U.S. 113, 125 (1973) (case or controversy must exist at all stages of the litigation); *Steffel v. Thompson*, 415 U.S. 452, 459 n.10 (1974) (case or controversy must exist at all stages of the litigation). Because jurisdiction must be present at the outset of the case, a standing defect may not be cured by amendment or joinder.

The Federal Circuit's contrary conclusion sharply conflicts with the Court's judgment in *Lujan*. There, a plurality of this Court explicitly rejected the suggestion

that the later addition of parties whose presence was required to meet standing requirements (there, redressability) would remedy a standing defect. 504 U.S. at 569 n.4. The plurality explicitly concluded that the lack of standing *when the action was filed* required dismissal for lack of federal jurisdiction, writing, "[i]t cannot be that, by later participating in the suit, [the initially absent parties] retroactively created a redressability (and hence a jurisdiction) that did not exist at the outset." *Id.* By that principle, the later joinder of parties to perfect standing does not cure a standing defect existing at the time an action is filed. *Cf. Minneapolis & St. L. R. Co. v. Peoria & P. U. Ry. Co.*, 270 U.S. 580, 586 (1926) ("The jurisdiction of the lower court depends upon the state of things existing at the time the suit was brought.").

The Federal Circuit's decision below conflicts with the decisions of other federal courts, and contributes to growing confusion on the permissibility of retroactively curing standing defects by the joinder of parties. Various courts, including the Federal Circuit have ordered cases dismissed for want of jurisdiction rather than permitting litigants to attempt to cure standing defects. *See Textile Productions*, 134 F.3d at 1484; *Gaia Tech. v. Reconversion Tech.*, 93 F.3d 774 (Fed. Cir. 1996); *Quiedan v. Central Valley Builders Supply*, 1993 WL 451503 (N.D. Cal. 1993), *aff'd*, 31 F.3d 1178 (Fed. Cir. 1994); *Raber v. Pittway*, 23 U.S.P.Q.2d 1313 (N.D. Cal. 1992); *Clayhill Resources v. MSB Indus.*, 1980 U.S. Dist. Lexis 14721 (S.D.N.Y. 1980); *Randolph-Rand v. Saks & Co.*, 11 U.S.P.Q.2d 1398 (S.D.N.Y. 1989).

On the other side of the question, several courts have permitted exclusive licensees to cure standing defects by subsequent joinder of patent holders. The Federal Circuit did so in *Abbott Laboratories*, 47 F.3d at 1133, on which the court below based its ruling. *See* App. 29. Several district courts similarly have concluded that exclusive licensees lack standing to sue in their own name, but granted leave to join the patent holders. *E.g., James v. Victor Co. of Japan Ltd.*, 48 U.S.P.Q.2d 1789, 1792-93 (D. Md. 1998); *Calgon Corp. v. Nalco Chem. Co.*, 726 F. Supp. 983 (D. Del. 1989).

However, *none* of these courts had before it the question whether district courts lacked the authority to cure Article III standing deficiencies existing at the outset. And none of those cases so much as mentioned *Lujan*.

This disagreement among the lower courts reflects persistent confusion – even within the Federal Circuit itself – about the nature of standing in patent cases, and whether jurisdictional flaws can be remedied by later events. Further guidance is needed to resolve this dispute.

## IV. The Federal Circuit's Erroneous Conclusion That A Statement Of Nonliability Rendered All Claims And Counterclaims Moot Conflicts With Decisions Of Other Federal Courts And Is Fundamentally Inconsistent With Rule 41(a)(2) Of The Federal Rules Of Civil Procedure

Although recognizing that respondent's statement of nonliability "fails to address fully all avenues of potential infringement liability" (App. 10) – and although TCI-California had announced its intention to seek statutory attorney fees from IPD (*see* 35 U.S.C. § 285) – the Federal Circuit categorically held that the Statement eliminated the case or controversy and thus "divested the district court of Article III jurisdiction" over not only IPD's complaint, but also TCI-California's patent invalidity and unenforceability counterclaims. App. 13-14. That sweeping holding is wrong as a matter of law and conflicts with decisions of this Court and other courts. And by ensuring that plaintiffs can unilaterally shut down a case without cost to themselves the moment a case turns against them, it substantially increases the opportunities for patent holders – and litigants generally – to circumvent the protections of Rule 41(a)(2) and engage in manipulative litigation. The decision is contrary to public policy because, as demonstrated here, it allows plaintiffs to engage in forum shopping and avoid challenges to patent validity. *See Cardinal Chemical v. Morton*, 508 U.S. 83,

100-01 (1993) (recognizing public interest in patent validity challenges).

### A. The Federal Circuit's Decision Guts The Procedural Protections Of Rule 41(a)(2)

Rule 41(a)(2) is designed to protect defendants when a plaintiff seeks to dismiss its claims after an answer is filed. To prevent voluntary dismissals that unfairly affect defendants, the rule gives the district court discretion to deny dismissal outright or to attach conditions to dismissal. Fed. R. Civ. P. 41(a)(2). *See generally, Alamance Indus. v. Filene's*, 291 F.2d 142 (1st Cir. 1961), (*cited in* 9 Charles A. Wright & Arthur Miller, *Federal Practice and Procedure* § 2365, p. 279 (1995); *see id.* § 2366, p. 304); *American Nat. Bank & Trust v. Bic*, 931 F.2d 1411, 1412 (10th Cir. 1991). The rule also prohibits dismissal in the face of a defendant's objection if the dismissal would deprive the district court of jurisdiction over the defendant's counterclaims.

Under the Federal Circuit's decision, all of these protections are swept away with a stroke of the pen. No obvious limiting principles to the Federal Circuit's decision exist. Plaintiffs could theoretically issue a statement of nonliability after substantial discovery, or a trial on the merits, or indeed at any time before entry of judgment, in order to avoid a judgment of patent invalidity or inequitable conduct. Thus, a plaintiff may embark on wholly speculative litigation, secure in the knowledge that if a valid counterclaim is asserted, or if prospects appear too significant of having a patent declared invalid or for an award of attorney fees, it may circumvent Rule 41(a)(2) and unilaterally shut down the case without cost to itself by issuing a statement of nonliability. Under the Federal Circuit's decision, the district court would have no choice but to dismiss for want of jurisdiction.

As this case itself demonstrates, the Federal Circuit's decision invites forum shopping. IPD has brought four different lawsuits seeking damages for the *same* conduct

of TCI-California – (1) the California Action, (2) the New York Action against TCI-California's ultimate parent, (3) a suit against TCI-California's immediate parent, TCI West, pending (but stayed) in the District of Delaware, and (4) a suit against TCI-California's former indirect parent, TCI Communications Inc., pending (but stayed) in the District of Colorado.[6] IPD and CPL chose to dismiss this case because they preferred the New York forum to the California one. Opportunities for this kind of forum shopping are rife in patent cases, because a plaintiff can sue any of a series of parties in a supply chain (e.g. manufacturer, distributor, retailer, customer) in different forums, because a patent is infringed by all who make, use, or sell the infringing device. 35 U.S.C. § 271(a).

### B. The Federal Circuit's Decision Conflicts With Decisions Of This Court And Other Circuits

The Federal Circuit's decision that the statement of nonliability eliminated any case or controversy conflicts with decisions of other appellate courts. First, other courts have held that threats of liability of the sort concededly present here are more than sufficient to preserve a live case or controversy under Article III. Second, other courts have recognized that a defendant should be allowed to pursue patent validity and inequitable conduct counterclaims and requests for attorney fees even after voluntary dismissals with prejudice.

#### 1. Potential Liability In Future Litigation Prevents A Case From Becoming Moot

The Federal Circuit did not dispute that the threat of infringement litigation continued to impair TCI-California's business even after the statement of nonliability.

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[6] In the latter three cases IPD and CPL are pursuing piercing the veil and inducement theories against corporate affiliates of TCI-California.

Rather, it acknowledged that the Statement "fail[ed] to fully address all avenues of potential liability." App. 10. Indeed, TCI-California, as noted above, has potential indemnity obligations of several kinds: to affiliates being sued in the New York, Delaware, and Colorado actions, in part for TCI-California's conduct; to its customers; and to other cable operators who buy its cable systems[7], thus depressing the value of TCI-California's primary assets. *See Village of Belle Terre v. Boraas*, 416 U.S. 1, 9 (1974) (case not moot where value of property could be affected by outcome). In addition, TCI-California itself faces potential liability with respect to new cable systems that it acquires, which may not be covered by the Statement of Nonliability.

The threat of liability (either direct or through indemnification) is very real, especially because IPD has threatened the entire cable television industry with suit for infringing the '202 Patent. The threat is particularly acute for any additional cable systems TCI-California acquires, because several other cable operators have entered into agreements to toll the six-year damages window for patent claims provided by 35 U.S.C. § 286. Thus, TCI-California as buyer could inherit substantial liability.

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[7] Although IPD has represented that the statement of nonliability is "intended" to cover transferees (C.A. Joint App. 991), the representation is carefully worded to avoid conceding that transferees are covered. *C.R. Bard v. Schwartz*, 716 F.2d 874, 881 (Fed. Cir. 1983) (carefully worded document did not remove apprehension of suit). The representation is also ambiguous because it covers only liability that might otherwise attach upon acquisition. C.A. Joint App. 991 n.9. The meaning of that qualifier is unclear, and so it remains uncertain whether the statement of nonliability would apply to systems transferred prior to the Statement (for which TCI-California retains liability). Nor is it clear that a third party can rely upon IPD's representation to TCI-California. These uncertainties affect the value of systems transferred to third parties.

The Federal Circuit's holding that no case or controversy exists in the face of the many remaining "avenues of potential liability" (App. 10) places the decision squarely at odds with this Court's decision in *Deposit Guaranty National Bank v. Roper*, 445 U.S. 326 (1980). There, this Court held that even an *illegitimate* fear of impairment in future litigation prevents a case from being moot. *Id.* at 337. Similarly, courts of appeals, including the Federal Circuit itself, have recognized that potential indemnity liability to third parties for patent infringement can support declaratory judgment jurisdiction. *See Sticker Industrial Supply v. Blaw-Knox*, 367 F.2d 744, 747 (7th Cir. 1966) (upholding declaratory judgment jurisdiction based in part on reasonable apprehension of liability to customers); *C.R. Bard v. Schwartz*, 716 F.2d 874, 882 (Fed. Cir. 1983). With its inconsistent decision below, therefore, the Federal Circuit has injected widespread uncertainty into this field of the law. It has also armed patent plaintiffs with a mechanism to create uncertainty as to future liability for patent infringement – the kind of environment that the declaratory judgment act was designed to eliminate.

### 2. TCI-California Should Be Allowed To Pursue Its Invalidity Claims And Seek Its Attorney Fees

The Federal Circuit's decision below also sharply conflicts with the view of the Second and Seventh Circuits, which – prior to the Federal Circuit's acquisition of exclusive jurisdiction in this area – allowed defendants to maintain claims of patent invalidity or unenforceability even after the plaintiffs had conceded noninfringement or dismissed infringement claims.

In *Blackman v. Hadron*, the Second Circuit affirmed the denial of a patentee's voluntary motion to dismiss and the granting of a defendant's amendment to include an invalidity counterclaim despite the plaintiff's "formal confession of non-infringement." 450 F.2d 781, 782 (2d

Cir. 1971) (per curiam). In words directly applicable here, the court held that defendant's counterclaim of patent invalidity remained a justiciable case and controversy because "past customers [are] discouraged, and prospective customers intimidated, by the litigious atmosphere in which the [item] is offered for sale." *Id.* at 783. The Seventh Circuit similarly held in *Sarkes Tarzian v. Philco*, 351 F.2d 557 (7th Cir. 1965) that defendants could maintain an inequitable conduct claim even after plaintiffs had voluntarily dismissed their infringement claim with prejudice. *Id.* at 559.

In addition, the district court's dismissal denied TCI-California the ability to obtain statutory attorney fees under 35 U.S.C. § 285 based upon CPL's inequitable conduct in procuring the patent. In the New York Action, the court permitted TCI-California's affiliate to amend its answer to pursue a claim of inequitable conduct based upon its determination that a *prima facia* showing had been made. TCI-California pled the same claim with particularity in this case.[8] The Federal Circuit's holding that TCI-California's pursuit of statutory attorney fees failed to preserve a live controversy is at odds with the prior decisions of this Court and other courts of appeals.

In *Cooter & Gell v. Hartmarx*, 496 U.S. 384 (1990), this Court held that a plaintiff's dismissal with prejudice did not deprive the district court of jurisdiction to consider the defendant's claims for Rule 11 sanctions. Because the violation of Rule 11 is complete when the complaint is filed, a voluntary dismissal does not cure the violation. *Id.* at 395. Similarly, entitlement to attorney fees becomes complete under the patent laws as soon as the plaintiff brings suit on a patent that is unenforceable due to inequitable conduct. Like Rule 11 violations, the harm caused

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[8] The Federal Circuit indirectly addressed the attorney fees issue in its opinion by noting that TCI-California's inequitable conduct claim did not preserve a live case or controversy. App. 14 n.9.

by inequitable conduct occurs upon filing, as soon as the defendant expends one dollar on attorney fees defending the suit. Plaintiffs were aware of the inequitable conduct claims when they chose to bring this case. They should not be able to purge their liability for attorney fees at will by unilaterally dismissing their claims with prejudice.

Other Circuits have also recognized that even where a plaintiff voluntarily dismisses its claims with prejudice, the defendant has the right to pursue attorney fees. *See Dean v. Riser*, 240 F.3d 505, 510 (5th Cir. 2001) (plaintiff should not avoid consequences of attorney fees statute by dismissal with prejudice); *Schwarz v. Folloder*, 767 F.2d 125, 130 (5th Cir. 1985); *Marquart v. Lodge 837*, 26 F.3d 842 (8th Cir. 1994) (allowing pursuit of fees but under heightened standard); *Sarkes Tarzian*, 351 F.2d at 559 (involving patent infringement suit).

## CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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**United States Court of Appeals for the Federal Circuit**

00-1236

INTELLECTUAL PROPERTY DEVELOPMENT, INC.,

Plaintiff-Appellee,

v.

TCI CABLEVISION OF CALIFORNIA, INC.,

Defendant-Appellant.

*David Zaslowsky*, and *Robin L. Filion*, Baker & McKenzie, of New York, New York, argued for plaintiff-appellee. On the brief were *David Zaslowsky*, and *James David Jacobs*. Of counsel was *Frank M. Gasparo*.

*Scott F. Partridge*, Baker Botts L.L.P., of Houston, Texas, argued for defendant-appellant. With him on the brief was *Roger S. Donley*. Also on the brief were *Neil P. Sirota*, of New York, New York; and *David G. Willie* [sic], and *Samir A. Bhavsar*, of Dallas, Texas.

Appealed from: United States District Court
for the Central District of California

Senior Judge Mariana R. Pfaelzer

**United States Court of Appeals for the Federal Circuit**

00-1236

INTELLECTUAL PROPERTY DEVELOPMENT, INC.,

Plaintiff-Appellee,

v.

TCI CABLEVISION OF CALIFORNIA, INC.,

Defendant-Appellant.

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DECIDED: May 7, 2001

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Before LOURIE, SCHALL, and GAJARSA, *Circuit Judges*. GAJARSA, *Circuit Judge*.

TCI Cablevision of California, Inc. ("TCI-California") appeals the January 27, 2000 order of the United States District Court for the Central District of California, No. 99-CV-2982 (C.D. Cal. Jan. 27, 2000). The district court granted the motion filed by Intellectual Property Development, Inc. ("IPD") and Communications Patents Ltd. ("CPL") to dismiss its complaint against TCI-California with prejudice and to dismiss TCI-California's counterclaims without prejudice. We affirm.

## BACKGROUND

CPL, a United Kingdom limited company, is the assignee of United States Patent No. 4,135,202 ("the '202 patent"), which issued in 1979. The '202 patent covers certain wired broadcasting systems. CPL entered liquidation on May 12, 1993. On June 30, 1993, acting through a

liquidator, CPL and IPD entered into an agreement that granted IPD numerous rights in the '202 patent.

The agreement accords IPD "an exclusive license, to make, use, and sell the inventions, the right to grant sublicenses, the right to collect monies, damages and/or royalties for past infringement and the right to bring legal action to collect the same." Further, the agreement provides:

> [IPD] shall be entitled to take action under the ['202 patent] in [IPD's] own name to prevent infringement, or to collect damages for past infringement, or to defend proceedings for revocation in circumstances where [CPL] is not a necessary party to that action (a "Sole Action") provided that [IPD] notifies [CPL] in writing. . . . [IPD] shall keep [CPL] fully informed and consult with [CPL] about the conduct of the Sole Action. [IPD] shall not without the prior written consent of [CPL], which shall not be unreasonably withheld, settle or agree to any compromise. . . . In the event that [CPL] may be a necessary party to any litigation or legal action under the ['202 patent] (a "Joint Action") [IPD] shall not proceed with the Joint Action without the prior written consent of [CPL]. [CPL] reserves the right to withdraw consent to the Joint Action proceeding at any time up to termination of the Joint Action. . . . [IPD] further agrees to pay [CPL] fifty percent (50%) of the net profit of [IPD] derived from . . . realisations [sic] realised [sic]: such as but not limited to litigation.

The rights CPL granted to IPD are subject to a nonexclusive license in the '202 patent that CPL previously

granted to Cabletime Limited, Cabletime Systems Ltd., and their customers (collectively "Cabletime") on October 3, 1991. Additionally, the agreement provides that CPL maintains the right to "assign all [of its] rights and obligations" under the agreement and further allows CPL to prevent IPD from assigning its benefits under the agreement to a third party without prior written consent from CPL.

On September 1, 1994, IPD filed a suit against UA-Columbia Cablevision of Westchester, Inc. ("UA-Westchester") and Tele-Communications, Inc. ("TCI") in the United States District Court for the Southern District of New York (the "New York case"). IPD asserted that UA-Westchester and TCI infringed the '202 patent prior to its expiration on January 16, 1996. TCI is the parent company of both UA-Westchester and the appellant in the case at issue – TCI-California. On May 15, 1995, TCI filed a motion to dismiss the New York case on the grounds that IPD lacked standing, or alternatively, because CPL was an indispensable party. Subsequently, by letter, CPL agreed to be bound by any judgment in the New York case. On September 8, 1995, the judge in the New York case determined that IPD maintained standing to bring the suit in its own name. A *Markman* hearing, construing the claims of the patent, was held in the New York case in June, 1997. *Intellectual Prop. Dev., Inc. v. UA-Columbia Cablevision of Westchester, Inc.*, No. 94-6296, 1998 WL 142346 (S.D.N.Y. Mar. 26, 1998).

Prior to filing the suit at issue, IPD offered, and TCI declined to accept, an agreement to toll the damage limitation period for all TCI subsidiaries. Subsequently, IPD filed suit against twelve TCI subsidiaries (the "1999

cases"), alleging infringement of the '202 patent. This case is one of the twelve 1999 cases; it was filed in the United States District Court for the Central District of California on March 4, 1999. In this action, TCI-California counterclaimed, seeking declaratory judgment on the issues of noninfringement, invalidity, and unenforceability of the '202 patent.

On April 6, 1999, IPD filed a motion with the Judicial Panel for Multi-district Litigation ("JPML") to consolidate the 1999 cases and the New York case. On April 19, 1999, while the motion to consolidate was pending before the JPML, TCI-California moved to dismiss this case pursuant to Federal Rule of Civil Procedure 12(b)(1) for lack of subject matter jurisdiction, or alternatively, based on IPD's failure to join an indispensable party – CPL – under Federal Rule of Civil Procedure 19(b). On May 26, 1999, the district court issued an order (the "May 26, 1999 order") in which it granted TCI-California's motion to dismiss for "lack of standing." The court, however, delayed signing the order to allow IPD to amend its complaint to add CPL as a party plaintiff and thereby rectify its "lack of standing." On May 28, 1999, TCI-California brought a motion for reconsideration of the May 26, 1999 order. Thereafter, IPD amended its complaint to add CPL as a party on June 21, 1999.

The district court, on June 28, 1999, denied TCI-California's motion for reconsideration and also clarified its May 26, 1999 order. The court stated that in the May 26, 1999 order, it had not held "that [IPD] lacked any element of constitutional standing so as to deprive the [c]ourt of jurisdiction over this case." It explained that "IPD made an adequate showing on the three elements

required by the Constitution for standing to *exist: a* legally cognizable injury, a causal connection between the injury and the conduct and redressability of the injury." The court also indicated that it "found IPD to be an exclusive licensee that alleged a legally cognizable injury" and therefore noted that "[t]he [c]ourt's use of the words 'lack of standing' in the May 26 [, 1999] Order referred to a prudential limitation on IPD's right to bring suit without joining the patentee." That is, the court determined that the rights retained by the patent owner, CPL, are "of the type that make a patent owner who granted an exclusive license a necessary party to an infringement action brought by the licensee." Therefore, the court concluded by indicating that in its May 26, 1999 order it recognized that as an exclusive licensee, IPD did not have standing to sue in its own name and consequently the court required joinder of the patent owner, CPL.

On August 19, 1999, the JPML consolidated the 1999 cases and the New York case and transferred them to the United States District Court for the Central District of California, where this case was pending, for joint pretrial proceedings. IPD subsequently entered into tolling agreements with several TCI subsidiaries, which resulted in the stipulated dismissal of all of the 1999 cases other than the case at bar.[1]

IPD and CPL, on December 27, 1999, filed a motion to voluntarily dismiss this case with prejudice pursuant to

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[1] IPD and TCI-California did not enter into a tolling agreement.

Federal Rule of Civil Procedure 41(a) and to dismiss TCI-California's counterclaims for lack of subject matter jurisdiction. IPD and CPL attached a "Statement of Non-Liability" to this motion, which provides: "[TCI-California] has no liability to CPL or IPD or any successors-in-interest to the '202 patent for infringement of the '202 patent and CPL and IPD and any successors-in-interest to the '202 patent will not sue [TCI-California] for infringement of the '202 patent." IPD and CPL further requested, in accordance with JPML Rule 7.6, that the district court suggest to the JPML that it remand the New York case to the United States District Court for the Southern District of New York.[2]

On January 27, 2000, the district court granted IPD and CPL's motion for voluntary dismissal, which effected the dismissal of its complaint with prejudice and the dismissal of TCI-California's counterclaims for lack of subject matter jurisdiction without prejudice. TCI-California appeals the district court's failure to dismiss the initial complaint – filed solely by IPD – for lack of standing and its subsequent grant of the motion for voluntary dismissal.

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[2] On June 12, 2000, the district court granted IPD's request to suggest to the JPML that it remand the New York case to the United States District Court for the Southern District of New York.

## DISCUSSION

### A. Standard of Review

Whether a party has standing to sue is a question of law that this court reviews *de novo*. *Prima Tek II L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1376, 55 USPQ2d 1742, 1745 (Fed. Cir. 2000). The legal effect of an agreement transferring patent rights is an issue of law that we review *de novo*. *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.S.*, 944 F.2d 870, 873, 20 USPQ2d 1045, 1047 (Fed. Cir. 1991).

### B. TCI-California's Standing to Appeal

IPD contends that TCI-California lacks standing to bring this appeal. It asserts that TCI-California was not aggrieved by the district court's grant of IPD and CPL's motion to dismiss this case. That is, IPD suggests that TCI-California seeks reversal of the district court's decision to grant IPD leave to add CPL as a party, and based on such a reversal, seeks dismissal of this case predicated on a theory that IPD lacked adequate standing to bring suit against TCI-California without having filed jointly with CPL. Therefore, IPD contends that TCI-California seeks a judgment identical to the judgment effected by the district court's grant of the motion for voluntary dismissal, but for a different reason.[3]

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[3] A judgment vacating this decision and ordering the district court to dismiss this case for inadequate standing in the first instance, when IPD filed the suit alone, would require IPD and CPL to refile jointly a suit against TCI-California. The filing date of a patent infringement suit against TCI-California affects potential damages recovery. 35 U.S.C. § 286 (1994) ("[N]o recovery shall be had for any infringement committed more

A party that receives all it has sought generally is not aggrieved by the judgment and cannot appeal from it.[4] *Deposit Guar. Nat.'l Bank v. Roper*, 445 U.S. 326, 333 (1980); *Zenith Elecs. Corp. v. United States*, 875 F.2d 291, 293 (Fed. Cir. 1989). The district court dismissed IPD and CPL's complaint alleging patent infringement with prejudice. TCI-California contends that this dismissal failed to redress fully its infringement liability concerns based on, *inter alia*, indemnity and direct liability to potential transferees of the patent rights.[5] TCI-California argues that it possesses these liability concerns because the district

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than six years prior to the filing of the complaint or counterclaim for infringement in the action.").

[4] If this court determined, which it does not, that the district court should have dismissed this case in the first instance for lack of standing when the suit was brought by IPD alone, then that dismissal would likely have been without prejudice. *Textile Prods. Inc. v. Mead Corp.*, 134 F.3d 1481, 1486, 45 USPQ2d 1633, 1637 (Fed. Cir. 1998). That is, IPD could have subsequently jointly filed a suit against TCI-California with CPL. The district court's grant of the motion for voluntary dismissal filed by IPD and CPL effected a prejudicial dismissal with respect to infringement. Therefore, TCI-California seeks a judgment effectuating a non-prejudicial dismissal of the infringement claims against it rather than a prejudicial dismissal of those claims. While dismissal of a patent infringement suit without prejudice would generally be considered "worse" for a party that is an alleged patent infringer than dismissal of such claims with prejudice, circumstances such as the ones at issue fail to automatically divest this court of jurisdiction.

[5] This case differs from *Penda Corp. v. United States*, 44 F.3d 967, 33 USPQ2d 1200 (Fed. Cir. 1994), which concerned indirect third-party indemnity liability.

court's order failed to address the merits of TCI-California's counterclaims for declaratory judgment on the issues of invalidity and unenforceability. We determine that the district court's order dismissing the complaint with prejudice and TCI-California's counterclaims without prejudice fails to address fully all avenues of potential infringement liability. Therefore, TCI-California has standing to appeal the district court's dismissal of IPD and CPL's complaint with prejudice, its decision to allow IPD to amend its complaint to add CPL as a party plaintiff, and its dismissal without prejudice of TCI-California's counterclaims.

### C. Statement of Non-Liability

On January 27, 2000, the district court granted IPD and CPL's motion to voluntarily dismiss this case. This motion was filed pursuant to Federal Rule of Civil Procedure 41(a) and included a statement of non-liability. The court's order granting the motion for voluntary dismissal fails to state explicitly whether it granted the motion based on Rule 41(a) or based on the statement of non-liability.[6] A motion's substance rather than its linguistic form determines its nature and thus its legal

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[6] Federal Rule of Civil Procedure 41(a)(2) provides that if a counterclaim has been pled by a defendant prior to service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Fed. R. Civ. P. 41(a)(2). The record in this case fails to indicate whether the strictures of this rule were met in this case. Regardless, this case turns on the statement of non-liability, not on dismissal pursuant to Rule 41.

effect. *Registration Control Sys., Inc. v. Compusystems, Inc.*, 922 F.2d 805, 808, 17 USPQ2d 1212, 1214 (Fed. Cir. 1990); *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1057, 35 USPQ2d 1139, 1142 (Fed. Cir. 1995) (determining that Federal Rule of Civil Procedure 41(a)(2), which the district court based its decision on, was inapplicable, but nevertheless determining that the trial court dismissed the case for lack of an actual controversy as required by Article III based on a statement of nonliability).

A declaratory judgment counterclaim may only be brought to resolve an "actual controversy." 28 U.S.C. § 2201(a) (1994). The actual controversy "must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975). The burden rests on TCI-California in this case to establish "that jurisdiction over its declaratory judgment action existed at, and has continued since, the time the [counterclaim] was filed." *International Med. Prosthetics Research Assocs. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 575, 229 USPQ 278, 281 (Fed. Cir. 1986).

In *Super Sack*, Super Sack sued Chase for allegedly infringing two of its patents. 57 F.3d at 1055, 35 USPQ2d at 1140. Chase denied infringement and filed a counterclaim seeking declaratory judgment on the issues of noninfringement and invalidity. Subsequently, in a motion to dismiss, Super Sack's counsel provided a statement indicating that "Super Sack will unconditionally agree not to sue Chase for infringement as to any claim of the patents-in-suit based upon the products currently manufactured and sold by Chase." *Id.* at 1056, 35 USPQ2d at 1141. In *Super Sack*, this court first determined that the promise

not to sue extended only to products that Chase made, used, or sold on or before July 8, 1994 – the date that Super Sack filed its motion to dismiss. *Id.* at 1056-57, 35 USPQ2d at 1141.

The *Super Sack* court then recognized that in suits for declarations of patent rights, a two-part justiciability test applies:

> There must be both (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

*Id.* at 1058, 35 USPQ2d at 1142 (quoting *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978, 28 USPQ2d 1124, 1126 (Fed. Cir. 1993)).

The *Super Sack* court stated with respect to the patents at issue in the statement of non-liability, "Super Sack is forever estopped by its counsel's statement of non-liability . . . from asserting liability against Chase in connection with any products that Chase made, sold, or used on or before July 8, 1994." *Id.* at 1059, 35 USPQ2d at 1143. It continued, providing: "This estoppel, in turn, removes from the field any controversy sufficiently actual to confer jurisdiction over this case." *Id.* Consequently, the court determined, "[b]ecause Chase can have no reasonable apprehension that it will face an infringement suit on [the patents at issue] with respect to past and present products, it fails to satisfy the first part of our two-part test of justiciability." *Id.*

The *Super Sack* court then addressed Chase's assertion that Super Sack's promise failed to cover products Chase could make, use, or sell in the future. *Id.* at 1059-60, 35 USPQ2d at 1143-44. The court pointed out that the second part of the declaratory justiciability test for patent rights requires that the putative infringer's "present activity" place it at risk of infringement liability. *Id.* at 1059, 35 USPQ2d at 1143. Because Chase's present activity failed to place it at risk of infringement liability, the court determined that "[t]he residual possibility of a future infringement suit based on Chase's future acts is simply too speculative a basis for jurisdiction over Chase's counterclaim of invalidity." *Id.* at 1060, 35 USPQ2d at 1144. Therefore, the *Super Sack* court affirmed the district court's grant of Super Sack's motion to dismiss for lack of jurisdiction with prejudice. *Id.*

Like the statement of counsel in *Super Sack*, the statement of non-liability filed by IPD and CPL estops IPD, CPL, and any successors in interest to the '202 patent from asserting liability against TCI-California for infringement of the '202 patent. Therefore, because TCI-California maintains no "reasonable apprehension" that it will face an infringement suit from IPD, CPL, or any successor in interest to the '202 patent, it fails to satisfy the first part of the justiciability test with respect to assertions of infringement by those parties.

TCI-California also contends that it could be required to indemnify an entity that potentially could be held liable in a different case for infringing the '202 patent. If TCI-California's interests are affected by a different suit regarding the '202 patent, then TCI-California should join that action as a party, for example, pursuant to Federal

Rule of Civil Procedure 19(a)(2)(i).[7] Further, part one of the declaratory justiciability test for patent rights requires action by the patent owner that creates "reasonable apprehension" on the part of the declaratory plaintiff that it will face an infringement suit.[8] A suit filed against a different party, even if TCI-California could potentially be required to indemnify that party, is not a suit that TCI-California itself faces. Therefore, the district court correctly determined that it lacked jurisdiction despite TCI-California's indemnity concerns.

In sum, similar to the resolution in *Super Sack*, the statement of non-liability divested the district court of Article III jurisdiction, and therefore the district court properly granted the motion to dismiss IPD and CPL's complaint with prejudice and TCI-California's counterclaims without prejudice.[9] *See also Spectronics Corp. v. H.B.*

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[7] Federal Rule of Civil Procedure 19(a)(2)(i) provides: "A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if . . . the person claims an interest relating to the subject matter of the action and is so situated that the disposition of the action in the person's absence may [ ] as a practical matter impair or impede the person's ability to protect that interest. . . . "

[8] We recognize that "apprehension" also may apply to a declaratory plaintiff's customers as discussed in *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, 846 F.3d 731, 6 USPQ2d 1685 (Fed. Cir. 1988).

[9] It is of no consequence to the case at issue that *Super Sack* concerned a declaratory counterclaim for noninfringement and invalidity while TCI-California counterclaimed for declaratory judgment on the issues of noninfringement, invalidity, and unenforceability.

*Fuller Co., Inc.*, 940 F.2d 631 1545, 19 USPQ 2d 1545 (Fed. Cir. 1991) (affirming the district court's dismissal of an action filed by Spectronics under the Declaratory Judgment Act, 28 U.S.C. § 2201 (1988), alleging, *inter alia*, invalidity and non-infringement of a patent owned by Fuller because Fuller filed a covenant not to sue Spectronics for infringement of the patent at issue and therefore Fuller was "forever estopped from asserting the [patent at issue] against Spectronics").

D. IPD's Standing in the District Court

While the district court correctly dismissed IPD and CPL's complaint with prejudice and TCI-California's counterclaims without prejudice, we possess jurisdiction to review the district court's decision to allow IPD to amend its complaint to add CPL as a party plaintiff.

1. Rights Transferred from CPL to IPD

A patent is "a bundle of rights which may be divided and assigned, or retained in whole or in part." *Vaupel*, 944 F.2d at 875, 20 USPQ2d at 1049. To determine whether a patent transfer agreement conveys all substantial rights under a patent to a transferee or fewer than all of those rights, a court must assess the substance of the rights transferred and the intention of the parties involved. *Id.* at 874, 20 USPQ2d at 1048.

In making such a determination, it is helpful to consider rights retained by the grantor in addition to rights transferred to the grantee. *Id.* at 875, 20 USPQ2d at 1049. In the case at issue, under the CPL-IPD agreement, while IPD possesses an "exclusive license to make, use, and

sell" the invention claimed in the '202 patent, CPL retains: (1) the right in certain circumstances (when CPL is a "necessary" party) to require IPD to obtain its consent to proceed with litigation (which can be withdrawn "at any time" until termination of the litigation); (2) the right in other circumstances (when CPL is not a "necessary" party) to be fully informed and to be consulted with regard to litigation; (3) the right to assign "all [of its] rights and obligations" under the agreement; (4) the right to prevent IPD from assigning its benefit under the agreement to a third party without prior written consent from CPL; (5) the right to require its consent to settlements (which shall not be "unreasonably withheld"); and (6) the right to collect fifty percent of profits realized from litigation.

This court has addressed the issue of whether an agreement transfers all or fewer than all substantial patent rights on several occasions. In *Abbott Laboratories v. Diamedix Corp.*, 47 F.3d 1128, 33 USPQ2d 1771 (Fed. Cir. 1995), this court determined that a transfer of certain, but not all, patent rights from Diamedix to Abbott constituted an exclusive license of fewer than all substantial patent rights rather than an assignment of all such rights. In that case, Diamedix retained the right to make and use the products claimed in the patents for its own benefit and the right to sell those products to parties with whom Diamedix maintained pre-existing contracts and licenses. *Id.* at 1132, 33 USPQ2d at 1774. While Abbott was given the right of first refusal to sue alleged infringers, Diamedix retained the right to bring its own infringement actions. That is, although Abbott possessed the right to initiate suit for infringement, it could not "indulge" or

permit an infringement, which the *Abbott* court indicated normally accompanies a complete conveyance of the right to sue. *Id.* Diamedix also retained the right to prevent Abbott from assigning its rights under the license to any party other than a successor in business. *Id.* at 1132, 33 USPQ2d at 1775. Finally, the *Abbott* court noted that it appeared that Diamedix retained the right to participate in a suit brought by Abbott because the agreement provided that Diamedix is "entitled to be represented therein by counsel of its own selection at its own expense." *Id.* at 1132, 33 USPQ2d at 1774. For these reasons, the *Abbott* court held that Abbott was granted fewer than all substantial rights under the patents. *Id.* at 1133, 33 USPQ2d at 1775.

Conversely, in *Vaupel*, this court determined that an agreement transferring certain patent rights from Markowsky to Vaupel constituted an assignment of all substantial rights in the patent at issue. 944 F.2d 870, 20 USPQ2d 1045. Markowsky retained: (1) a veto right on sublicensing by Vaupel; (2) the right to obtain patents on the invention in other countries; (3) a reversionary right to the patent in the event of bankruptcy or termination of production by Vaupel; and (4) a right to receive infringement damages. *Id.* at 875, 20 USPQ2d at 1049. The *Vaupel* court stated that it found "particularly dispositive" the agreement provision that transferred the right to sue for infringement of the patent at issue subject only to the obligation to *inform* Markowsky. *Id.*

This court recently determined in *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 53 USPQ2d 1984 (Fed. Cir. 2000), that an agreement transferring certain patent rights constituted an assignment of all substantial rights in the

patents at issue. The agreement in *Speedplay* effected a transfer from Bryne and Zoumaras to Speedplay of the exclusive right to manufacture, have manufactured, distribute, market, use and sell products covered by the patents at issue. 211 F.3d at 1250, 53 USPQ2d at 1987. Bryne and Zoumaras, however, retained the option to initiate legal action against an alleged infringer in their own name, but only if Speedplay failed to bring such a suit within three months. *Id.* at 1251, 53 USPQ2d at 1987. Yet, the agreement at issue in *Speedplay* did not grant Bryne and Zoumaras the right to participate in an infringement action brought by Speedplay, nor did it limit Speedplay's management of any such action. *Id.* at 1251, 53 USPQ2d at 1988. This court determined that Bryne and Zoumaras's right to sue an infringer was illusory because Speedplay could render that right nugatory by granting the alleged infringer a royalty-free sublicense. *Id.* Indeed, the *Speedplay* court concluded, "Speedplay . . . controls enforcement of [the patent at issue] for all practical purposes." *Id.* Finally, while Speedplay could not assign its interest without consent from Bryne and Zoumaras, the agreement provided that such consent "shall not be withheld unreasonably." The court deemed this provision not significantly restrictive of the scope of Speedplay's patent rights.[10] *Id.* at 1252, 53 USPQ2d at 1988.

Guided by the aforementioned jurisprudence, we must assess the agreement at issue in this case, weighing the rights in the '202 patent transferred to IPD against

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[10] Other rights retained by Bryne and Zoumaras in *Speedplay* are not relevant to the case at issue.

those retained by CPL, to determine whether CPL assigned all substantial rights in the '202 patent to IPD or conveyed fewer than all such rights. The title of the agreement at issue, which uses the term "license" rather than the term "assignment," is not determinative of the nature of the rights transferred under the agreement; actual consideration of the rights transferred is the linchpin of such a determination. *See Speedplay*, 211 F.3d at 1250, 53 UPPQ2d [sic] at 1986 ("A party that has been granted all substantial rights under the patent is considered the owner regardless of how the parties characterize the transaction that conveyed those rights.").

Under the agreement at issue, IPD is granted the right to "make, use, and sell" the invention claimed in the '202 patent. The agreement fails to suggest that CPL continues to possess similar rights as this court found salient in *Abbott*. While this right transferred to IPD is substantial, every other pertinent factor weighs in favor of finding that the agreement is an exclusive license of fewer than all substantial rights in the '202 patent.[11]

In both *Vaupel* and *Speedplay*, contrary to *Abbott*, the transferees effectively obtained the sole right to sue other parties for infringement. The right to sue in *Vaupel*, which was deemed "particularly dispositive," was only subject to an obligation to *inform* the transferor of any impending

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[11] As discussed in *Vaupel*, CPL's right to receive infringement damages is "merely a means of compensation under the agreement." 944 F.2d at 875, 20 USPQ2d at 1049. We consider CPL's right to receive infringement damages a neutral factor.

litigation. 944 F.2d at 875, 20 USPQ2d at 1049. In *Speedplay*, this court determined that the transferors' right to sue an infringer was illusory. 211 F.3d at 1251, 53 USPQ2d at 1988. Further, in *Mentor H/S, Inc. v. Medical Device Alliance*, 240 F.3d 1016, 1018, 57 USPQ2d 1819, 1820 (Fed. Cir. 2001), this court deemed the transferee of patent rights to be an exclusive licensee of fewer than all substantial rights rather than an assignee of all of those rights in large part because the transferor retained the first opportunity to sue alleged infringers; that is, the transferee could only file such suits if the transferor failed to file a suit.

Pursuant to the agreement in the case at bar, CPL retains differing rights depending on whether it is a "necessary" party. The agreement fails to elucidate cogently the definition of "necessary." Yet, it suffices to recognize that in certain circumstances – when CPL is a "necessary" party – CPL must consent to litigation and can withdraw that consent at any time. That is, CPL can permit infringement when it is a "necessary" party, which is relevant to a finding that CPL granted IPD fewer than all substantial rights in the '202 patent. Indeed, a transferee that receives all substantial patent rights from a transferor would never need consent from the transferor to file suit because such an assignment essentially transfers title in the patent to the transferee. 35 U.S.C. § 100(d) (1994). Further, even if CPL is not a "necessary party" to a suit, IPD must keep CPL fully informed, and consult

with CPL, as to any litigation pertaining to the patents at issue in the agreement.[12]

CPL also retains the right to prevent IPD from assigning its benefits to a third party without first receiving CPL's consent. The *Abbott* court indicated that limits on a transferee's assignment rights weigh in favor of finding that an agreement constitutes a transfer of fewer than all substantial rights in a patent. 47 F.3d at 1132, 33 USPQ2d at 1775. Similarly, while the *Vaupel* court found that the agreement at issue in that case constituted an assignment of all substantial patent rights, it nevertheless recognized that a restriction on a transferee's right to assign is a substantial right reserved by the transferor. 944 F.2d at 875-76, 20 USPQ2d at 1049-50; *see also Prima Tek II*, 222 F.3d at 1380, 55 USPQ2d at 1748 ("A licensee's right to sub-license is an important consideration in evaluating whether a license agreement transfers all substantial rights."). We also recognize that limits on the assignment of rights are a factor weighing in favor of finding a transfer of fewer than all substantial rights in the '202 patent.

In light of CPL's right to permit infringement in certain cases, the requirement that CPL consent to certain actions and be consulted in others, and the limits on

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[12] While CPL must consent to settlement of a litigation by IPD, that consent cannot be "unreasonably withheld." In *Speedplay*, a consent requirement pertaining to assignment rights that could not be "unreasonably withheld" was deemed not significantly restrictive of the scope of Speedplay's patent rights. 211 F.3d at 1251-52, 53 USPQ2d at 1988. Therefore, we find this factor to be neutral.

IPD's right to assign its interests in the '202 patent, we find that the CPL-IPD agreement at issue transfers fewer than all substantial rights in the '202 patent from CPL to IPD.

2. Article III and Prudential Standing Requirements

Standing in a patent infringement case is derived from the Patent Act, which provides: "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281 (1994). The term "patentee" comprises "not only the patentee to whom the patent was issued but also the successors in title to the patentee." 35 U.S.C. § 100(d) (1994).

A grant of all substantial rights in a patent amounts to an assignment – that is, a transfer of title in the patent – which confers constitutional standing on the assignee to sue another for patent infringement in its own name. 35 U.S.C. § 261 (1994); *Waterman v. Mackenzie*, 138 U.S. 252, 256 (1891); *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1030, 34 USPQ2d 1444, 1446 (Fed. Cir. 1995). Conversely, a nonexclusive license or "bare" license – a covenant by the patent owner not to sue the licensee for making, using, or selling the patented invention and under which the patent owner reserves the right to grant similar licenses to other entities – confers no constitutional standing on the licensee under the Patent Act to bring suit or even to join a suit with the patentee because a nonexclusive (or "bare") licensee suffers no legal injury from infringement. *Ortho*, 52 F.3d at 1031, 34 USPQ2d at 1447; *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1552, 35 USPQ2d 1065, 1074-75 (Fed. Cir. 1995). It is clear that

IPD is an exclusive licensee rather than a non-exclusive or "bare" licensee. An exclusive licensee receives more substantial rights in a patent than a nonexclusive licensee, but receives fewer rights than an assignee of all substantial patent rights. For example, an exclusive licensee could receive the exclusive right to practice an invention within a given limited territory. *Rite-Hite*, 56 F.3d at 1552, 35 USPQ2d at 1074 (citing *Independent Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 468-69 (1926)).

As stated earlier, IPD is an exclusive licensee that has some, but fewer than all, substantial rights in the '202 patent. TCI-California argues that CPL should have been a required party to the district court suit at the outset of the litigation. That is, TCI-California contends that as an exclusive licensee having fewer than all substantial rights in the '202 patent, IPD lacked Article III standing to bring suit in its own name and could not create standing, and thus jurisdiction, by simply joining CPL rather than by dismissing the case and refiling jointly with CPL. Therefore, TCI-California asserts that the district court judge improperly allowed IPD to amend its complaint to add CPL as a party plaintiff.

TCI-California points out that the Supreme Court has stated: "The actual or threatened injury required by Article III may exist solely by virtue of 'standing creating legal rights, the invasion of which creates standing. . . . ' " *Warth v. Seldin*, 422 U.S. 490, 500 (1975) (quoting *Linda R.S. v. Richard D.*, 410 U.S. 614, 617 n.3 (1973)). Because the Patent Act creates the sole remedy for infringement of a patent and because the Patent Act indicates that only

"patentees" and "assignees" shall have a remedy for patent infringement, *see* 35 U.S.C. §§ 281 and 100(d), TCI-California contends that, under *Warth*, only a "patentee" or an "assignee" (and not an "exclusive licensee" having fewer than all substantial patent rights) possesses Article III standing to bring a patent infringement suit. Further, TCI-California cites a footnote in *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 571 n.4 (1992), for the proposition that a constitutional standing defect cannot be cured by joinder. That is, TCI-California asserts that federal jurisdiction must exist at the time an action is filed.

Article III standing requires a party invoking federal jurisdiction to establish three elements. *Lujan*, 504 U.S. at 560-61. First, the plaintiff "must have suffered an injury in fact – an invasion of a legally protected interest which is (a) concrete and particularized and (b) 'actual or imminent, not conjectural or hypothetical.' " *Id.* at 560 (citations omitted). Second, "there must be a causal connection between the injury and the conduct complained of – the injury has to be 'fairly . . . trace[able] to the challenged action of the defendant and not . . . th[e] result [of] the independent action of some third party not before the court.' " *Id.* (citations omitted). Third, "it must be 'likely,' as opposed to merely 'speculative,' that the injury will be 'redressed by a favorable decision.' " *Id.* (citation omitted).

TCI-California is correct in its assertion that Article III standing to sue in this case derives solely from the Patent Act. Section 281 of title 35 of the United States Code provides: "A patentee shall have remedy by civil action for infringement of his patent." A "patentee" includes "not only the patentee to whom the patent was

issued but also the successors in title [assignees] to the patentee." 35 U.S.C. § 100(d). This statutory language, however, fails to limit Article III standing to patentees and assignees. As discussed above, IPD is an exclusive licensee having fewer than all substantial rights in the '202 patent. To determine whether IPD possesses constitutional standing, we must consider whether IPD meets each *Lujan* factor.

A party such as IPD that has the right to exclude others from making, using, and selling an invention described in the claims of a patent is constitutionally injured by another entity that makes, uses, or sells the invention. Indeed, the Supreme Court has stated that a patent owner that grants "the exclusive right to make, use, or vend [a patented invention], which does not constitute a statutory assignment . . . must allow the use of his name as plaintiff in any action brought by the licensee . . . to obtain damages for the *injury to his exclusive right*." *Independent Wireless*, 269 U.S. at 469 (emphasis added).

Further, IPD's injury is directly related to the allegedly infringing conduct of TCI-California. This relationship meets the "fairly traceable" standard for causation described in *Lujan*. Finally, IPD's injury is redressable because, if successful in an infringement suit against TCI-California, IPD could recover damages pursuant to 35 U.S.C. § 284 and could prohibit TCI-California from further making, using and selling its allegedly infringing products under 35 U.S.C. § 283. Indeed, this court has awarded damages to exclusive licensees as compensation for patent infringement injuries. *Weiner v. Rollform, Inc.*, 744 F.2d 797, 807-08, 223 USPQ2d 369,

374-75 (Fed. Cir. 1984). In sum, IPD meets the three-pronged *Lujan* test for Article III standing.

Moreover, it was proper for IPD, as an exclusive licensee of fewer than all substantial rights in the '202 patent, to add CPL as a party plaintiff. The Supreme Court addressed the right to sue for patent infringement under a predecessor patent statute in *Independent Wireless*, a case involving an exclusive licensee (as distinguished from an assignee) that sought to obtain an injunction and damages against an alleged patent infringer without joining the patent owner to the suit. 269 U.S. at 466. The Court stated:

> The presence of the owner of the patent as a party is indispensable, not only to give jurisdiction under patent laws, but also in most cases to enable the alleged infringer to respond in one action to all claims of infringement for his act, and thus either to defeat all claims in the one action, or by satisfying one adverse decree to bar all subsequent actions.

*Id.* at 468.

The *Independent Wireless* Court recognized an exception to this rule in circumstances where a patent owner refuses, or is unable, to be joined as a co-plaintiff with an exclusive licensee. *Id.* In such cases, "the licensee may make [the patent owner] a party defendant by process [that is, involuntarily], and he will be lined up by the court in the party character he should assume." *Id.*

The *Independent Wireless* Court then explained that:

> [T]he owner of a patent, who grants to another the exclusive right to make, use, or vend the

> invention, which does not constitute a statutory assignment, holds title to the patent in trust for such licensee, to the extent that he must allow the use of his name as plaintiff in any action brought at the instance of the licensee in law or in equity to obtain damages for the injury to his exclusive right by an infringer, or to enjoin infringement of it.

*Id.* at 469.

As a general rule, in accordance with *Independent Wireless*, this court adheres to the principle that a patent owner should be joined, either voluntarily or involuntarily, in any patent infringement suit brought by an exclusive licensee having fewer than all substantial patent rights. *Prima Tek II*, 222 F.3d at 1377, 55 USPQ2d at 1746; *Abbott Labs.*, 47 F.3d at 1131, 33 USPQ2d at 1774; *Rite-Hite*, 56 F.3d at 1552, 35 USPQ2d at 1074; *Mentor H/S*, 240 F.3d at 1017, 57 USPQ2d at 1820; *Textile Prods.*, 134 F.3d at 1484, 45 USPQ2d at 1635. That is, unlike an assignee that may sue in its own name, an exclusive licensee having fewer than all substantial patent rights (that is not subject to an exception) that seeks to enforce its rights in a patent generally must sue jointly with the patent owner. *Ortho*, 52 F.3d at 1030, 34 USPQ2d at 1447.

The general principle set forth in *Independent Wireless* requiring that a patent owner be joined, either voluntarily or involuntarily, in any infringement suit brought by an exclusive licensee having fewer than all substantial rights is prudential rather than constitutional. *Prima Tek II*, 222 F.3d at 1337 [sic], 55 USPQ2d at 1746. In addition to the three-prong Article III standing test delineated in *Lujan*, standing doctrine embraces judicially self-imposed limits,

known as prudential limits; on the exercise of jurisdiction.[13] *Allen v. Wright*, 468 U.S. 737, 751 (1984).

As a prudential principle, an exclusive licensee having fewer than all substantial patent rights possesses standing under the Patent Act as long as it sues in the name of, and jointly with, the patent owner and meets the *Lujan* requirements. *Prima Tek II*, 222 F.3d at 1377, 55 USPQ2d at 1746; *Abbott*, 47 F.3d at 1131, 33 USPQ2d at 1774. This principle holds true except in extraordinary circumstances, such as where the infringer is the patentee and cannot sue itself. *Ortho*, 52 F.3d at 1030, 34 USPQ2d at 1447 (citing *Waterman*, 138 U.S. at 255).[14] Indeed, the Supreme Court in *Independent Wireless* recognized that

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[13] For example, the Supreme Court has held that a "plaintiff must assert his own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties." *Warth*, 422 U.S. at 499. Additionally, even in circumstances where a plaintiff has alleged a constitutionally redressable injury, the Supreme Court has refrained from "adjudicating 'abstract questions of wide public significance' which amount to 'generalized grievances' . . . most appropriately addressed in the representative branches." *Valley Forge Christian Coll. v. American United for Separation of Church and State, Inc.*, 454 U.S. 464, 475 (1982) (quoting *Warth*, 422 U.S. at 499-500). The Supreme Court has also required a plaintiff's complaint to fall within "the zone of interests to be protected or regulated by the statute or constitutional guarantee in question." *Association of Data Processing Serv. Orgs. v. Camp*, 397 U.S. 150, 153 (1970).

[14] It is noted that a patent owner's agreement to be bound by judgments cannot circumvent the rule of *Independent Wireless* that the patent owner must ordinarily be joined with an exclusive licensee in a patent infringement suit. *Prima Tek II*, 222 F.3d at 1380-81, 55 USPQ2d at 1748-49.

when an exclusive licensee files a patent infringement suit, "the presence of the owner of a patent as a party is indispensable . . . to give jurisdiction under the patent laws. . . . " 269 U.S. at 468.

3. IPD's Joinder of CPL

TCI-California argues that because IPD, an exclusive licensee having fewer than all substantial rights in the '202 patent, initially filed this suit in its own name, the district court lacked jurisdiction and therefore could not grant IPD leave to amend its complaint to add CPL as a party. However, this court has recognized the principle that a patent owner may be joined by an exclusive licensee. For example, in *Abbott*, an exclusive licensee having fewer than all substantial patent rights brought a patent infringement suit in its own name. 47 F.3d 1129, 33 USPQ2d 1171. Thereafter, the patent owner filed a motion to intervene. *Id.* at 1130, 33 USPQ2d at 1773. This court determined that the patent owner's "joinder [was] required as a matter of statutory standing." *Id.* at 1133, 33 USPQ2d at 1775. Yet, the court did not dismiss the case for lack of jurisdiction and require that the patent owner and exclusive licensee jointly refile. Rather, the court reversed the district court's denial of the motion to intervene.[15] *Id.* at 1134, 33 USPQ2d at 1776.

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[15] This court has indicated that even appellate-level amendments to correct jurisdictional defects may be appropriate to allow an exclusive licensee to join the patent owner. *Mentor H/S*, 240 F.3d at 1019, 57 USPQ2d at 1821 (citing *Newman-Green, Inc. v. Alfonzo-Larrain*, 490 U.S. at 826, 836 (1989), for the proposition that "appellate-level amendments to correct

TCI-California cites footnote four of the Supreme Court's *Lujan* decision for the proposition that a standing defect cannot be cured by joinder of a party to a suit. TCI-California's reliance on this footnote is misplaced. In *Lujan*, the Supreme Court determined that the plaintiffs lacked constitutional standing because they failed to assert a sufficiently imminent injury and because their claimed injury was not redressable. *Id.* at 563-71. As discussed above, IPD met the constitutional requirements for standing from the outset of its suit. Therefore, the cited portion of *Lujan* is inapposite.

## CONCLUSION

For the reasons set forth in this opinion, we affirm the district court's order, which effected dismissal of the complaint filed by IPD and CPL with prejudice and dismissal of TCI-California's counterclaims without prejudice.

*AFFIRMED.*

## COSTS

Each party shall bear its own costs.

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jurisdictional defects" are appropriate under rare circumstances).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 99-2982 MRP DATE: 5/26/99

Title: Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.

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PRESENT: HON. MARIANA R. PFAELZER, Judge

| | |
|---|---|
| Robert J. Flores, Deputy Clerk | Beth Esther Zaccaro, Court Reporter |
| ATTORNEYS PRESENT FOR PLAINTIFF: | ATTORNEYS PRESENT FOR DEFENDANT: |
| NA | NA |

PROCEEDINGS:

Having heard oral argument on defendant TCI Cablevision of California, Inc.'s Motion to Dismiss for Lack of Subject Matter Jurisdiction and/or For Failure to Join an Indispensable Party, or in the Alternative, for Joinder of an Indispensable Party ("Motion"), the Court concludes that the Motion should be granted on the ground of lack of standing.

As requested by plaintiff's counsel, the Court will delay signing the proposed order granting the Motion until June 22, 1999, to permit plaintiff to amend the complaint to add Communications Patents Limited ("CPL") as a party plaintiff. *See Calgon Corp. v. Nalco*

*Chemical Co.* 726 F.Supp. 983 (D. Del. 1989). If CPL voluntarily elects to join the action as a party plaintiff, the Motion will be denied.

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. CV 99-2982 MRP DATE: 6/28/99

Title: Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.

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PRESENT: HON. MARIANA R. PFAELZER, Judge

| Robert J. Flores, Deputy Clerk | Beth Esther Zaccaro, Court Reporter |
|---|---|
| ATTORNEYS PRESENT FOR PLAINTIFF: | ATTORNEYS PRESENT FOR DEFENDANT: |
| NA | NA |

PROCEEDINGS:

On June 18, 1999, the Court took defendant TCI Cablevision of California, Inc.'s ("TCI") Motion for Reconsideration in part of Order Allowing Plaintiff Leave to Amend to Join Communications Patents Limited ("Motion") under submission. Having read and considered the papers submitted, the Court denies the Motion.

For purposes of clarification, the Court will briefly explain its Order of May 26, 1999. The Court did not hold that Intellectual Property Development, Inc. ("IPD") lacked any element of constitutional standing so as to deprive the Court of Jurisdiction over the case. IPD made an adequate showing on the three elements required by the Constitution for standing to exist: a legally cognizable injury, a causal connection between the injury and the

conduct and redressibility of the injury. The Court found IPD to be an exclusive licensee that alleged a legally cognizable injury. *See Rite-Hite Corp. v. Kelley Co.* 56 F.3d 1538 (Fed. Cir. 1995) (recognizing that an exclusive licensee has standing to recover for its own injury); *compare Ortho Pharmaceutical Corp. v. Genetics Institute, Inc.* 52 F.3d 1026 (Fed. Cir. 1995) (stating that the holder of a nonexclusive license who has merely gained the right not to be sued for infringement by the patentee suffers no legal injury from infringement by third parties).

The Court's use of the words "lack of standing" in the May 26 Order referred to a prudential limitation on IPD's right to bring suit without joining the patentee. The Court found that the rights retained by the patentee, Communications Patents Ltd., are of the type that "make a patent owner who granted an exclusive license a necessary party to an infringement action brought by the licensee." *Abbott Laboratories v. Diamedix Corp.* 47 F.3d 1128, 1132 (Fed. Cir. 1995). The Court therefore concluded, as did the Federal Circuit in *Abbott*, that the exclusive licensee did not have standing to sue on its own and that joinder of the patentee was required. *Id.* at 1133. *See also Textile Productions, Inc. v. Mead Corporation* 134 F.3d 1481 (Fed. Cir. 1998) (holding that an exclusive licensee that does not have all substantial rights has standing to sue third parties only as a co-plaintiff with the patentee).

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

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| IN RE INTELLECTUAL PROPERTY DEVELOPMENT, INC., PATENT LITIGATION | MDL DOCKET NO. 1286 MRP |
| This Document Relates to: Intellectual Property Development Inc. v. TCI Cablevision of California, Inc. Case No. 99-2982 MRP (RCx) | ORDER GRANTING PLAINTIFFS' MOTION TO DISMISS (Filed Jan. 27, 2000) THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(d). |

Intellectual Property Development, Inc.'s ("IPD") and Communications Patents Limited's ("CPL") Motion to Dismiss ("Motion") having been heard by the Court on January 24, 2000, and the Court having read and considered the papers filed in support of and in opposition to the Motion,

IT IS HEREBY ORDERED that the plaintiffs' Motion is granted. The plaintiffs' complaint is dismissed with prejudice and the defendant's counterclaims are dismissed without prejudice.

DATED: January 27, 2000

/s/ Mariana R. Pfaelzer
Mariana R. Pfaelzer
United States District Judge